

Message Text

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ACTION EA-12

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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 2113

INFO AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMEMBASSY PARIS

AMCONSUL PERTH

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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USOECD

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TAGS: EALR, ECON, ELAB, AS

SUBJ: UNEMPLOYMENT HITS RECORD HIGH IN DECEMBER

REF: 77 CANBERRA 7742

BEGIN UNCLASSIFIED

1. DECEMBER UNEMPLOYMENT FIGURE OF 404,085, REPRESENTING 6.5 PERCENT OF AUSTRALIAN WORK FORCE, IS HIGHEST IN POSTWAR HISTORY. AT SAME TIME, UNFILLED VACANCIES FELL FROM NOVEMBER FIGURE TO 20,056 TO 19,963. DECEMBER FIGURE COMPARES UNFAVORABLY NOT ONLY WITH NOVEMBER'S 6 PERCENT FIGURE BUT EVEN MORE WITH YEAR-AGO FIGURE OF 5.4 PERCENT.

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2. MINISTER FOR EMPLOYMENT AND INDUSTRIAL RELATIONS, MR. STREET, IN ANNOUNCING FIGURES, SAID THAT "SCHOOL LEAVER" REGISTRATIONS HAD NOT YET PEAKED, AND THE LABOR MARKET WAS LIKELY TO FURTHER DETERIORATE IN JANUARY. OF THOSE UNEMPLOYED, 59,811 WERE "SCHOOL LEAVERS."

3. COMMENT: DECEMBER FIGURES ARE ALWAYS SEASONALLY HIGHER BECAUSE OF ADDITIONS TO UNEMPLOYMENT ROLLS OF THOSE ENTERING JOB MARKET AT END OF SCHOOL YEAR IN DECEMBER. MINISTER STREET STATED THAT FIGURES REFLECT NO REAL CHANGE IN UNEMPLOYMENT SITUATION AND THAT AFTER FEBRUARY INCREASED BUSINESS CONFIDENCE AND ACTIVITY WOULD LEAD TO AN IMPROVEMENT IN UNEMPLOYMENT SITUATION. HOWEVER, FIGURES SPARKED AN OUTBURST FROM LABOR PARTY LEADERS, AND PROMPTED NEW SOUTH WALES LABOR PREMIER WRAN TO CALL FOR AN IMMEDIATE CONFERENCE WITH PRIME MINISTER AND STATE PREMIERS TO DISCUSS UNEMPLOYMENT.

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4. EMBASSY CONSIDERS IT PROBABLE THAT THERE WILL BE FURTHER DETERIORATION ON EMPLOYMENT FRONT. ACCORDING TO A RECENT PRIVATE ANALYSIS, THE FRASER GOVERNMENT IN THIS YEAR'S BUDGET HAS MOVED FROM A SITUATION OF FULL-EMPLOYMENT DEFICIT TO ONE OFFULL-EMPLOYMENT SURPLUS. THUS, THE ECONOMIC FORCES WHICH MIGHT OTHERWISE BE EXPECTED TO MOVE A COUNTRY FROM THE TROUGHT OF A RECESSION TO RECOVERY ARE BEING COUNTERED IN AUSTRALIA BY GOVERNMENT FISCAL POLICY. MONETARY POLICY IS ALSO NON-EXPANSIONARY, AND FOREIGN DEMAND FOR AUSTRALIAN PRODUCTS REMAINS SUBDUED. EXCEPT FOR THE POSITIVE PSYCHOLOGICA IMPACT OF THE FRASER ELECTION VICTORY AND OF A DECLINING INFLATION LIMITED OFFICIAL USE

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RATE, THERE IS NO EVIDENT SOURCE OF STIMKLATION FOR THE ECONOMY. EVEN SHOULD THERE BE MODEST ECONOMIC GROWTH IN THE COMING YEAR, THERE SEEMS VIRTUALLY NO BASIS FOR OPTIMISM AS REGARDS UNEMPLOYMENT.
SQUIRE

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